


Railroads prepare for freight volumes to rise

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A freight "tsunami" is sweeping toward Chicago from the Eastern Seaboard, and a proposed train-and-truck facility in suburban Will County could help railroad CSX ride the wave.

Logistics and economic development experts predict a rising volume of goods passing through East Coast seaports, thanks to a wider Panama Canal and more shipments coming via the Suez Canal from Southeast Asia. With fear of energy costs and driver shortages pushing shippers away from trucking, the combined effect could yield a bonanza for CSX, one of the two biggest railroads hauling goods from the East. But only if it has the capacity to capitalize on the spike.

"The container tsunami is coming to Chicago," Downers Grove-based transportation consultant James Giblin says in an email. "We are at least five years behind the East Coast ports in our preparations."

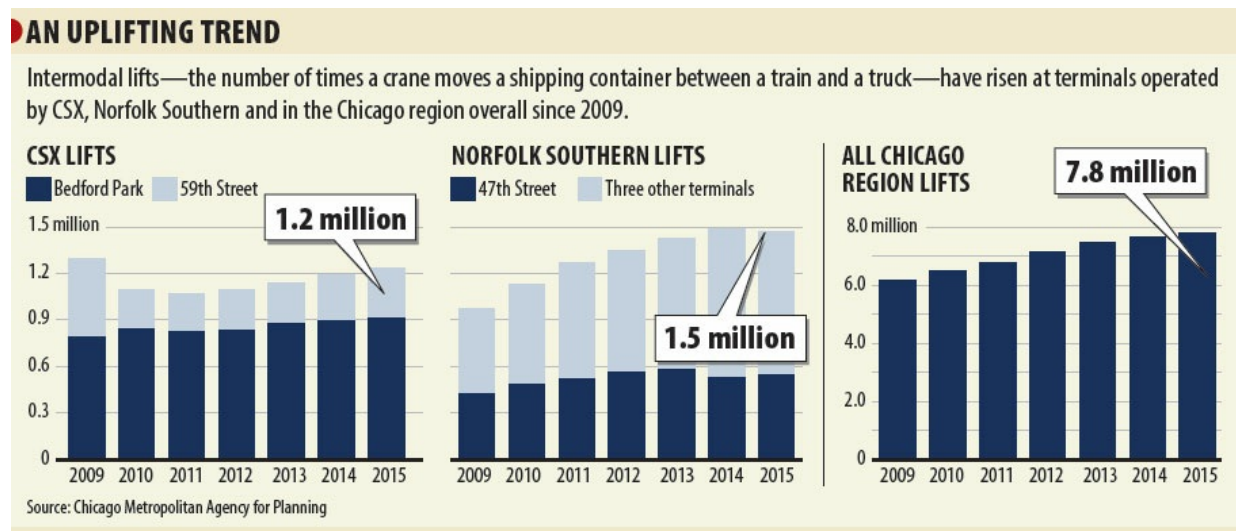
CSX wants to build an intermodal terminal on 250 acres of a 1,063-acre parcel south of Crete, west of the intersection of Illinois Route 1 and Interstate 394. Intermodal shipping derives its name from the process of moving containers of goods by one transport mode—rail—to sites where giant cranes lift the 20-foot containers onto trucks for the last leg of their journey.

The [Jacksonville, Fla.-based railroad](#) owns two of the 20 active intermodal terminals in the Chicago area. The company's largest terminal, located in Bedford Park and servicing top customer UPS, is the second-busiest in the region. In 2015, almost 915,000 containers passed through, coming from ports in New York, Florida and other Eastern states. The plan for Crete, [which some township residents oppose](#), could handle 500,000 containers with room to grow to 1 million, with the terminal's acreage expanding to 350. The railroad expects to begin construction in the first quarter of 2018 and operations two years later.

CSX doesn't know when or to what degree the predicted volume increase from Eastern ports will materialize, but it's important to be prepared, says Tom Livingston, the Midwestern vice president for government and community affairs. It does know two facts for sure, though: Bedford Park is approaching capacity, even as the consumer goods moved through intermodal terminals represent a growing share of railroad freight volume and revenues. Gone are the days when railroads moved only heavy commodities like coal or potatoes. Intermodal shipping has made it possible for railroads to vie with trucking companies to move everything from socks to TVs to automotive components.

"As we see more transition from commodities like coal to intermodal, we really look for opportunities to capture that," Livingston says. "You can't be behind the opportunity curve. You can't be building the sail and stitching it up while the wind is blowing over your head."

In growing its Chicago-area footprint, CSX is following the playbook of rival Eastern railroad Norfolk Southern. In the past four years, Norfolk Southern has assembled land for an 84-acre expansion of its 47th Street rail yard to more than double its current size. The \$9.89 billion company [mostly bought out](#) neighborhood owners but [also has used eminent domain](#).



DRIVING FORCES

The number of intermodal containers moved through Chicago terminals has risen every year between 2009 and 2015. That growth is expected to continue, says Tom Murtha, a senior planner at the Chicago Metropolitan Agency for Planning. "Adding capacity makes total sense in that context," he says.

Multiple factors are driving the expectation of more volume from the East. The Panama Canal Authority completed a project to add a third lane to the canal last year, allowing ships loaded with three times as much cargo to pass through it. Though most cargo from Asia, particularly China, flows into the U.S. from ports in Los Angeles and Long Beach, the Panama Canal project "may fundamentally alter the costs of transport and so potentially rejigger supply chains from Asia," wrote Georgia Tech professors John Bartholdi III and Amar Ramudhin in a 2014 paper.

Supply chains also could shift if rising wages in China push more manufacturing to Southeast Asia. For goods made in Vietnam or the Philippines, the shortest route to the U.S. is through the Suez Canal.

Also, East Coast ports—and the railroads that serve them—are benefiting from a corporate desire to spread imports among different ports purely to minimize the threat of supply chain disruption, says Richard Thompson, Chicago-based international director of the supply chain and logistics practice at Jones Lang LaSalle.

This is the [second attempt to develop an intermodal terminal](#) south of Crete. Oak Brook industrial real estate

company CenterPoint Properties Trust bought the same land parcel for \$45 million in 2006, struggled during the recession to find a railroad to lease the site, and eventually sold it. CSX bought it last year.

The Crete terminal is projected to cost \$230 million. CSX generated \$11.07 billion in revenue in 2016. Intermodal shipments composed the smallest share of that total, 16 percent, but the greatest share of overall freight volumes. CSX, like its competition, believes the investment will pay off because railroads have expanded their customer base beyond commodities, Thompson says. "Trust me, they have a value prop," he says. "They've done their homework."